

Message Text

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C O N F I D E N T I A L LONDON 08338

LIMDIS

E.O. 11652: XGDS

TAGS: ENRG

SUBJECT: WORLD ENERGY SITUATION

1. IN LUNCHEON CONVERSATION WITH CHARGE AND ECON/COM MINISTER YESTERDAY, HAROLD LEVER SET FORTH HIS VIEWS ON WORLD ENERGY SITUATION AND NEED FOR AGREEMENT WITH OPEC COUNTRIES, WHICH ARE SUBSTANTIALLY THE SAME AS THOSE REPORTED IN PAST. IN A NUTSHELL, LEVER THINKS CARTEL PRICE OF OIL COULD GO MUCH HIGHER ON BASIS OF ECONOMIC FACTORS, PRICE IS NOW INHIBITED MAINLY BY CONCERN THAT CONSUMER NATIONS COULD TAKE MILITARY ACTION, OPEC CARTEL WILL NOT FALL APART, AND, IN NEXT FEW YEARS, TIME IS NOT ON OUR SIDE. HE BELIEVES IT IS IN INTEREST OF CONSUMER COUNTRIES TO SEEK CONTRACTUAL ARRANGEMENT WITH PRODUCERS (WHILE THEY HAVE BEEN WILLING TO IGNORE AND OVERRIDE CONTRACTUAL RIGHTS OF OIL COMPANIES, THEY WOULD NOT DO SO WITH GOVERNMENTS) AND THIS CAN ONLY BE OBTAINED WITH PRICE INDEXATION AGREEMENT. HE THINKS SUCH AGREEMENT, EVEN ON BASIS OF PRESENT PRICE LEVEL, WILL MEAN LOWER PRICE OVER NEXT FEW YEARS THAN LETTING EVENTS TAKE THEIR COURSE WITHOUT AGREEMENT. HE WELCOMES

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US WILLINGNESS TO TALK ON OTHER COMMODITIES AS OPENING

WAY FOR DIALOGUE.

2. LEVER IS LUNCHING WITH CHANCELLOR SCHMIDT IN BONN THURSDAY JUNE 5 AND INTENDS TO TRY OUT THESE VIEWS ON HIM. HE ACKNOWLEDGES VIEW ON INDEXATION IS NOT UK POSITION, BUT SAYS HE WILL BE SETTING IT FORTH WITH KNOWLEDGE AND APPROVAL OF PRIME MINISTER WILSON. HE EXPECTS BRITISH AMBASSADOR AND PROBABLY STAFF MEMBER TO BE PRESENT AT LUNCHEON.

3. LEVER SAID HE HAD IMPRESSION US HAD MOVED CLOSE TO OPEN MIND ON INDEXATION A COUPLE OF MONTHS AGO BUT WONDERED IF WE WERE NOW BACKING OFF. WE SAID WE DID NOT KNOW, BUT NOTED THAT MUCH WOULD DEPEND ON APPRAISAL OF OPEC INTENTIONS AND ABILITY TO STICK TOGETHER.

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